# Understanding the potential value of dollar cost averaging.

There's a proven investment method you should know about: It's called dollar cost averaging, and it's far simpler than it sounds. In fact, you're doing it right now with your regular retirement savings plan contributions. Here are a few details on how dollar cost averaging works—and how it can help you accumulate more money for retirement.

#### **ACTION PLAN**

- Learn how and why dollar cost averaging works
- Pick investment options you can live with for a while
- Put the market's movements to work for you

### What is dollar cost averaging?

It might sound complicated. But dollar cost averaging is simply the practice of investing the same amount of money on a regular schedule, regardless of the market price of the investment. Sound familiar? It should, because this is exactly how you invest in your retirement savings plan.

Look back at your statements, and you can see that you invested a set amount in each of your selected investment options. You can also see that the share price of those options fluctuated from month to month, quarter to quarter, and year to year. By using dollar cost averaging, you avoid trying to guess whether your investments will gain or lose money.

#### The potential advantage of dollar cost averaging.

Over the years, your paycheck deductions buy more shares of each investment option when prices are lower, and fewer when the prices are higher. In the end, dollar cost averaging tends to give you a lower average cost per share than buying a fixed number of shares. And the less you pay for your shares, the more you stand to gain when share prices go up.

Dollar cost averaging does not ensure a profit or guarantee against a loss in declining markets. For the strategy to be effective, you must continue to buy shares in both up and down markets.



#### How it works.

Say you arrange to invest \$100 a month of your pretax pay in a given investment option. In January, the investment option sells for \$25 a share, so your \$100 investment buys four shares. In February, the fund's share price drops to \$20 a share, allowing you to buy five shares. And in March, the price drops yet again, to \$12.50, and your investment buys eight shares. So by the end of March, you've invested \$300 and bought 17 shares of the fund.

## Using dollar cost averaging in a fluctuating market. The following example is hypothetical.

| Month    | Amount<br>Invested | Price<br>per Share | Shares<br>Purchased | Total Number<br>of Shares<br>in Account |
|----------|--------------------|--------------------|---------------------|---|
| January  | \$100              | \$25.00            | 4.00                | 4.00                                    |
| February | \$100              | \$20.00            | 5.00                | 9.00                                    |
| March    | \$100              | \$12.50            | 8.00                | 17.00                                   |
| April    | \$100              | \$10.00            | 10.00               | 27.00                                   |
| May      | \$100              | \$16.00            | 6.25                | 33.25                                   |
| June     | \$100              | \$26.00            | 3.85                | 37.10                                   |
| Totals   | \$600              |                    |                     | 37.10                                   |

Because dollar cost averaging involves continuous investment in securities, regardless of their changing price levels, you should consider your financial ability to continue your purchases if your income level should change, or if other factors should affect your ability to continue with steady investing. Investing in this manner does not ensure a profit or guarantee against loss in declining markets.

In April, the market drops even further, though by May, it's climbing again. And as you can see, at the end of six months, the fund's share price has risen to \$26. In this example, dollar cost averaging has paid off. Your \$600, which you've invested in \$100 increments each month, has bought you 37.1 shares—which are now worth \$964.60. But keep in mind that dollar cost averaging isn't designed for short-term profit-taking. In fact, it's useful only on a long-term basis.

### HERE'S HELP

For more **information about investing** in your retirement savings plan account:

- Call your plan's toll-free number, weekdays from 8 a.m. to midnight Eastern time
- Visit Fidelity NetBenefits®



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